

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7780

BILL NUMBER: HB 1861

NOTE PREPARED: Jan 28, 2003

BILL AMENDED:

SUBJECT: Academic Achievement.

FIRST AUTHOR: Rep. Porter

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED:

**GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill makes various provisions to improve academic achievement and set forth education responsibilities for students in prekindergarten through Grade 12. It permits a school corporation to impose a local option income tax for education of up to 1% on the adjusted gross income of resident taxpayers. The bill provides that students whose family income level is up to 300% of the eligibility level for the free or reduced price lunch program may be eligible to receive partial scholarships under the Twenty-first Century Scholars Program.

Effective Date: July 1, 2003.

Summary of Net State Impact: The following chart is the estimated annual impact of the bill.

All Students

Tutoring	\$280.92 M
Assessment K-2	7.07 M
Assessment 4,5,7,9	9.85 M
Retesting Cost	4.31 M
Test Report Cost for Student	4.27 M
Test Report Cost School Committee	1.29 M
Student, Parent, and Teacher Meeting for Failing Students	24.58 M
Change in Compulsory School Age	19.63 M
Work Skill Diploma	0.13 M
Commission	0.25 M

Schools With 50% Failure

30% Increase in Instructional Time	\$197.72 M
10 Additional Professional Dev. Days	25.62 M
20 Additional Professional Development Days for 1/3 of staff	17.08 M
Teacher Computers	5.29 M
Student Computers	40.70 M
Reading Specialist Costs	125.63 M
Full Day Kindergarten Costs	10.10 M
Pre Kindergarten	11.71 M
Primetime II K-2 Costs	16.54 M
Primetime II 3-4 Costs	6.94 M
Primetime II 5-8 Costs	15.78 M
Student Family Assistance Program	61.54 M
Latch Key Program Cost	21.90 M
Alternative Education Program Costs	18.07 M

Total Costs \$926.92 M

The state is required to pay:

- costs attributable to additional programs and staff;
- increases in salaries and wages;
- facility maintenance and utilities;
- costs of the latch key program for children whose total household income is less than 200% of the federal income poverty level.

Explanation of State Expenditures: Programs for All Students:

Tutoring: The bill provides additional tutoring to students that fail to pass or just pass the assessments for Grades K-10. The amount of additional tutoring ranges from 16 hours to 104 hours depending on the student's performance on the assessments. The estimated cost of tutoring is \$280.92 M annually. The cost is based on the average hourly salaries of teachers and an average class size of 10 students. The cost would change if full-time teachers were hired for less than the estimated hourly rate or if the class size was changed.

Assessments: The bill requires assessments for pre-kindergarten through Grade 10. Currently the state assessment, ISTEP, is given to Grades 3, 6, 8, and 10. This bill would require the state to provide assessments for an additional 551,992 students. The projected assessment cost for kindergarten, 1st grade, and 2nd grade is about \$7.07 M. The cost of assessment for Grades 4, 5, 7, 9 is about \$9.85 M. Students that fail the initial assessment must be retested. The estimated cost for the retests is \$4.31 M. The bill also requires the development of an electronic assessment bank that assesses basic and applied skills and may be used to reassess student proficiencies. It is assumed that the bank would be developed using existing test

questions which are no longer used. No additional cost is estimated for the bank development. The state is scheduled to receive about \$7.6 M annually from the federal government for implementation of the assessment requirements in the No Child Left Behind law. The funds could be used to pay for the additional assessments.

The school is required to provide the parent with an academic standards progress report that contains the student's most recent test results, grades, attendance record, and disciplinary record. The projected cost of the report is \$4.27 M. The school is to provide a report on the school's readiness, early literacy, or reading diagnostic aggregate mastery rates on the assessments broken down by grade, racial and ethnic group, students eligible for free lunch, students designated as limited English proficient, and special education students. The estimated annual cost of the report is \$1.29 M.

Student, Parent, and Teacher Meeting: The bill requires that the teacher, student, and parent of a student that fails the assessment shall meet and develop a plan. The estimated cost of the meetings is \$24.58 M. It is estimated that a teacher would meet for one hour outside the school day with the student and parents. The cost would be reduced if the meeting occurred during the school day.

Compulsory Attendance Age: The bill changes the compulsory attendance age from age 7 to 16 to age 6 to 17. The change will have an impact on the number of students attending school and the tuition support formula. If the number of students in the 2003 school formula increased by about 4,130, then the increase in state funding would be about \$19.63 M. The impact depends on the CY 2004 school formula.

Diploma: A student that does not receive a passing score on the graduation examination and does not satisfy the state graduation requirements for graduation may receive a Work Preparation Diploma if the student satisfies the local graduation requirements and passes a work skills and language assessment. The additional cost would be to develop the assessment and the cost of the diploma. Assuming about 10% might choose this option, then the impact would be about \$125,000.

Commission for Superior Academic Achievement: The bill creates a 32-member commission, with 16 legislators and 16 citizen members, that is required to make recommendations to the General Assembly by December 1, 2004, concerning the elimination of the gaps in the achievement levels of student sociodemographic subgroups and improvements beyond proficiency to advanced levels in the state's standard of academic achievement.

All Commission members are entitled to reimbursement for travel expenses. Commission members who are legislators are entitled to receive a per diem allowance and travel reimbursement. The current per diem is \$129, and the current travel reimbursement is \$0.345 per mile. Per P.L. 291-2001, legislator expenses would be paid from the Legislative Council's budget.

The Commission may employ staff and fix the compensation and terms of employment.

The bill appropriates sufficient funds from the state General Fund for the Commission. In addition to the General Fund appropriation, the Commission may accept private donations. The estimated cost would depend on the staff employed. The Commission terminates December 31, 2004. Assuming that the Commission met 18 times and employed three staff, then the estimated cost would be about \$372,900 over the 18-month period.

Schools with 50% or Greater Failure Rates: Approximately 291 schools had more than 50% of their students

fail the ISTEP test for the 2001-2002 school years. The 291 schools enrolled 116,279 students. The following are special programs for those schools as specified in this bill.

Increased Instruction Time: The bill requires the qualifying schools to increase instructional time by 30%. The estimated cost of the increased time is \$197.72 M annually. The estimate is based on the teachers' salaries of the qualifying schools increased by 30%. Teachers' salaries are about 58% of school expenditures for the 2001-2002 school year.

Professional Development: The bill requires 10 professional development days for all staff and an additional 20 days for 1/3 of the staff of qualifying schools. The estimated cost for the 10 days is \$25.62 M and \$17.08 M for the additional 20 days for 1/3 of the staff.

Computers: The bill provides computers and email addresses for students and teachers at the qualifying schools. The estimated cost of computers for teachers is \$5.29 M and \$40.7 M for computers for students.

Reading Specialists: The bill provides a reading specialist for every 25 students that are more than 0.25 of one standard deviation below the passing score at the qualifying school. It is estimated that about 2,230 reading specialists would be needed, and the estimated cost is \$125.3 M.

Full-Day Kindergarten: The bill requires qualifying schools to provide full-day kindergarten programs. There are about 7,200 kindergarten students enrolled in the qualifying schools, and the estimated cost is \$10.1 M.

PreKindergarten: Qualifying schools are required to provide a prekindergarten program. The estimated cost of the program is \$11.71 M annually.

Primetime II: The bill reduces the student - teacher ratio in Grades K-2 to 15 to 1, Grades 3-4 to 20 to 1, and Grades 5-8 to 24 to 1. The estimated cost for Grades k-2 is \$16.54 M, \$6.94 M for Grades 3-4, and \$15.78 M for Grades 5-8.

Student-Family Assistance Program: The bill requires qualifying schools to have a student-family assistance program conducted by certified counselors or social workers. The estimated cost is \$61.54 M based on a case load of 100 to 1.

Latch Key Program: Qualifying schools are required to offer a latch key program at school. The estimated annual cost assuming about 26,000 students would participate is \$21.9 M.

Alternative Education: Qualifying schools are required to provide an alternative education program. The estimated cost of providing the alternative education program for about 3,400 students is estimated to be \$18.07 M. The state currently spends approximately \$7.4 M for 30,011 students in Grades 6-12.

21st Century Scholars Program: The bill provides that students whose household income is less than 300% of the amount to qualify for free or reduced school lunch are eligible for the program. Current students have to qualify for free or reduced lunch to be eligible. Students that are currently eligible and meet certain requirements can receive a scholarship equal to the cost of tuition and other fees. The bill would allow students between 100% and 200% of the lunch standard to receive a 50% scholarship and students between 200% and 300% to receive a 25% scholarship. Students apply as eighth graders, so the impact would not be for four years. The impact would about double the size of the program when the changes are fully

implemented. The Student Assistance Commission requested \$14.3 M for FY 2004 and \$15.3 M for FY 2005 for awards.

School Option Income Tax: The state could incur some additional expense associated with the administration of the School Option Income Tax. The current local option income taxes are on a county basis while the proposed school tax is on a school corporation basis. Consequently, the Department of Revenue might have to create a new tax form and do some programming to keep track of income tax on a school corporation basis. The impact is unknown and would be the same if 1 or 298 schools adopted the tax. The State Auditor and the Budget Agency might have some increased expenses with establishment of the new accounts and projection of revenue.

Explanation of State Revenues:

Explanation of Local Expenditures: Schools are required to pay additional transportation costs and facilities cost for students.

Compulsory Attendance Age: The local school could also incur additional transportation cost in busing the additional students. The increase in transportation cost is estimated to be \$2.3 M.

School Facilities: The addition of full-day kindergarten, prekindergarten, and Primetime II would probably require the qualifying schools to have additional classrooms. The facilities' costs are paid locally. Approximately 1,115 additional classrooms may be needed.

Computers: The local school may use the Capital Projects Fund to assist parents who are not eligible for a state-purchased home computer in acquisition of a computer and an electronic email address. The estimated impact is unknown.

School Option Income Tax: Revenue received from the School Option Income Tax may be used to fund any lawful purpose of the school corporation. This revenue will not affect the school funding formula calculations.

Explanation of Local Revenues: See *Explanation of State Expenditures* for revenues the school would receive from the state.

School Option Income Tax: The bill creates the School Option Income Tax, "SOIT". The bill allows a local school governing body to adopt a local income tax up to 1%. The tax is effective January 1 of the year immediately following the adoption of the ordinance creating the tax. Changes in the tax must be in multiples of 0.1%. Before the income tax can be adopted or increased, the school must obtain voter approval at the next general election. The increase in revenue depends on the number of schools that would choose to adopt the SOIT. Based on the December 18, 2002, revenue forecast, the amount generated for each 0.1% statewide is about \$110 M in FY 2004.

State Agencies Affected: Department of Education, Student Assistance Commission, Department of Revenue, State Auditor, Budget Agency.

Local Agencies Affected: Local Schools.

Information Sources: Department of Education Databases; December 18, 2002, *Revenue Forecast*.

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